

June 14, 2022



State of Utah, School &  
Institutional Trust  
Funds Office



#### OST (Office of State Treasurer)

- The elected state treasurer acts as ex officio chairperson of the SITFO board
- Provides accounting support for the SITFO office



#### Land Trusts Protection and Advocacy Office

- Oversees the distribution of earnings to the 11 trusts and ongoing monitoring of SITFO/SITLA



#### SCT (School Children's Trust)

- School community council trainings and School LAND Trust Program Administration



#### SITLA (School & Institutional Trust Lands Administration)

- SITLA manages Utah's 3.5 million acres of trust land generating revenue through oil, gas, and mineral leases, real estate sales, etc.
- All proceeds are deposited into permanent endowments for each beneficiary (the 11 trust funds)



#### SITFO (School & Institutional Trust Funds Office)

- SITFO invests the endowments from SITLA, and earnings are distributed to each beneficiary
- The (11) trusts are managed based on an asset allocation formula with similar asset allocations because return and risk objectives are the same



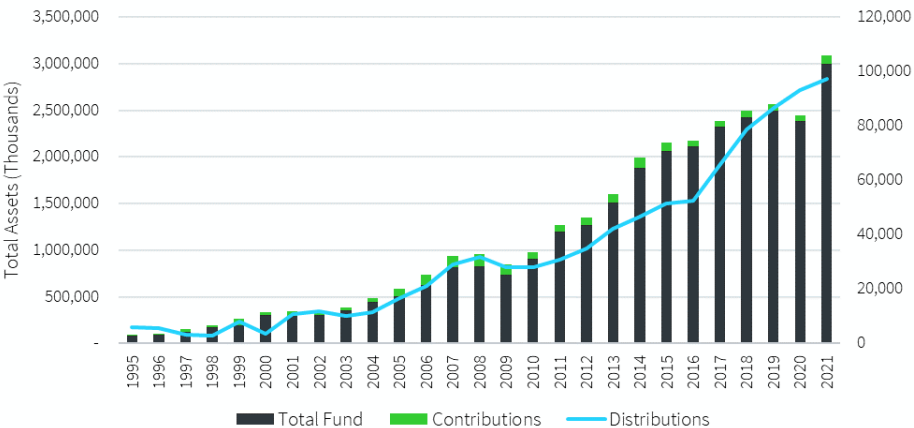
#### Beneficiaries

11 Trust Funds: School Trust, Miners Hospital, Institute for the Blind, Reservoirs Fund, Normal School, University of Utah, School of Mines, Utah State University, Utah State Hospital, Deaf School Fund, State Industrial School

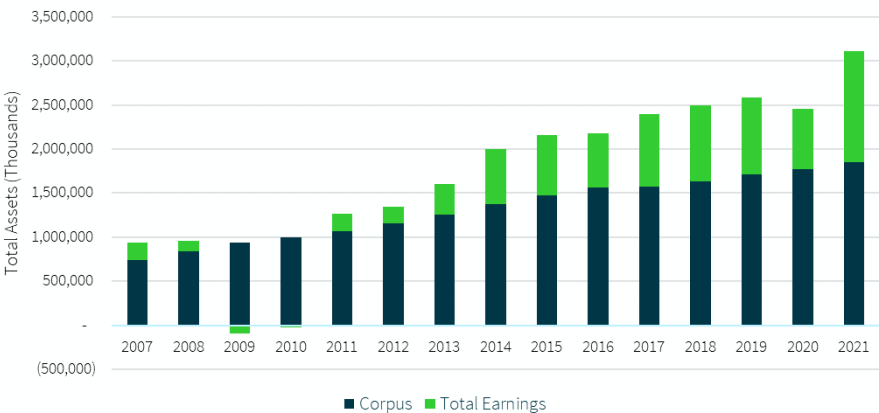
# SITFO MISSION

To responsibly maximize the return on the invested principal of the School and Institutional Trusts for the current and future benefit of Utah's education programs.

Fund Value, Contributions, and Distributions (FY)



Corpus & Earnings (FY)

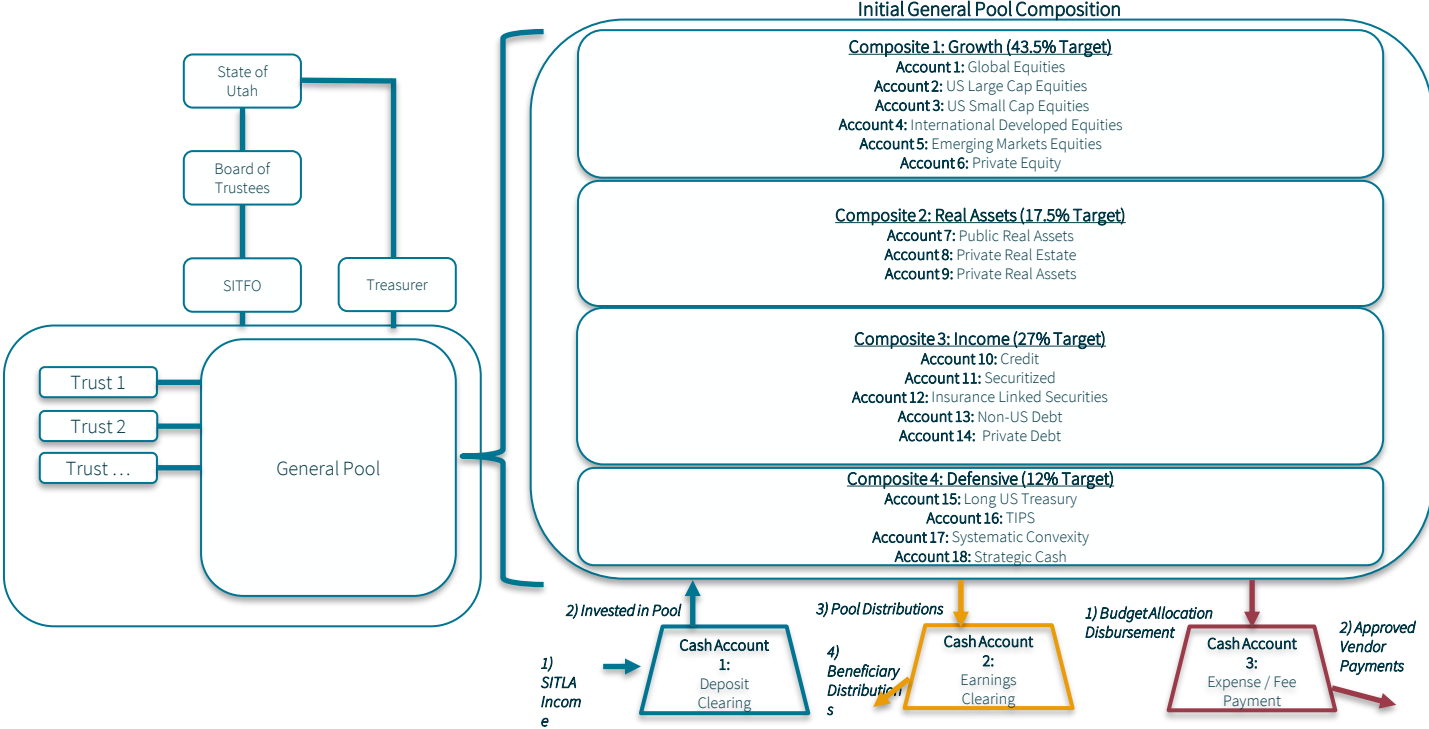


# INTRODUCTION

- Legislated in 2014 to institutionalize the investment management of earnings generated by SITLA
- \$3.2 Billion
- 11 Trusts, not just the “School Fund”
- Self-funding
  - Operations are funded through the earnings of the trust, not tax revenues

*“The director shall deposit into the account an amount of money from the earnings from trust fund assets equal to the annual appropriation that the Legislature makes to the office, to pay for the office’s operating costs.” 53D-1-203*

# OPERATIONS



## SITFO VISION AND VALUES

- We are an independent team of outcome-oriented investors. We aim to carry our fiduciary responsibility forward to assist in the creation of a brighter future for Utah's public education programs. We consider education to be an invaluable public resource and believe the School and Institutional Trusts are an enduring investment in our communities.
- We aim to ground our decision-making in objective research and sound portfolio theory. We value long-term growth over short-term gains, impartial analysis over conventional wisdom, and will always conduct investment decisions outside the reach of political influence and act with undivided loyalty to the schools, universities and state institutions for which we serve.
- We invest School and Institutional Trust Lands Administration revenues in a manner that supports the distribution policy in perpetuity while providing for intergenerational equity between current and future beneficiaries. In addition to the School Trust Fund, there are 10 additional trusts.

# SITFO VISION AND VALUES

- Our values include
  - **Steady** – We value dependable, long-term growth. As an institution with an infinite horizon, we will weather volatility and illiquidity in the short-term to better the interest of our long-term goals.
  - **Innovative** – We are vigilant of an industry and markets that are always in a state of flux; we are adaptive to changes and comfortable exploring both uncommon investment opportunities, and new ways to improve our processes, with whatever tools are at our disposal.
  - **Transparent** – We are working in service of the public good and strive to translate the detail and portfolio complexity into useful and digestible reports for general consumption.
  - **Principled** – We are fluent in the strengths and weaknesses of modern portfolio theory and actively avoid the pitfalls of behavioral finance through strategic checks and balances, rigorous analysis, and personal humility.
  - **Open-minded** – We consider all investment prospects on an objective basis, and therefore neither automatically forego unorthodox opportunities, or select commonplace opportunities, based on conventional wisdom, prevailing headlines, or emotional biases.

# INTRODUCTION



## INVESTMENT BELIEFS

This document contains our guiding principles, which inform our decision-making and governance. While not a policy or procedural manual, it gives an overview of who we are, what our mission is, and how we aim to achieve it.

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## INVESTMENT POLICY

This policy outlines the governing framework within which SITFO operates. It was created in conjunction with the SITFO Board to assist in effectively supervising, monitoring and evaluating the investment of assets.

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## FY 2021 ANNUAL REPORT

The annual report is intended to provide a review of the previous fiscal year as well as a look into the ongoing projects and goals of the agency.

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[sitfo.utah.gov](https://sitfo.utah.gov)

## Sections of Code

Applicable statutes:

- Utah Code Title 53D, Chapter 1
- State of Utah Constitution Article VI, Section 29 and Article X, Sections 5 and 7
- Utah Code 53C-3-102, 53F-9-201, 63G-6a-107, and 63E-1-102

Classify SITFO similar to URS

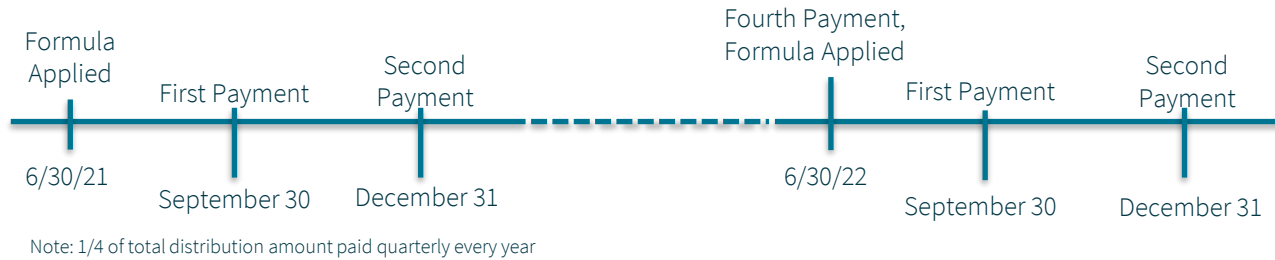
We will be revisiting statutes with LTPAO and our board to recommend changes to promote efficiency and fulfill fiduciary responsibilities

# Appendix

## Operations

### Distribution Policy

- FY21 School Trust distributed \$92,842,753.62
- FY22 distribution for School Trust based on policy
  - 50% (1 + CPI + Enrollment Growth) x Previous Year Distribution
    - 50% (1 + 4.5% CPI + (-.2%) enrollment) x \$92.84MM prior year distribution = \$48.4MM
  - 50% (4% x 20Q average)
    - 50% (4% x \$2.4B) = \$47.9MM
    - Subject to a cap of 4% against 20Q average (\$95.8MM)
  - \$95,849,770.37 to be distributed FY22 (3.3% of the trust's market value)
- FY22 distribution for other trusts based on new policy
  - Other trusts historically receive distributions throughout the year
  - Quarterly distributions (based on 4% x 20Q average at previous fiscal year end)
    - 4% x 20Q average as of June 30, 2021
- Total beneficiary distribution in FY22 **\$100,491,386.08**



# BOARD OF TRUSTEES

## **MARLO OAKS, CFA CAIA** - *Chair, Board of Trustees*

Marlo was appointed Utah State Treasurer after a 25-year career in investment banking and investment management. He oversaw institutional portfolios at Farmers Insurance Group (\$24 billion) and Intermountain Healthcare (\$7.5 billion). Marlo holds the CFA and CAIA credentials.

## **KENTA A. MISENER, CFA** - *Vice Chair, Board of Trustees*

Kent Misener, CFA serves on several Boards and Investment Committees representing multiple billions of dollars. He managed \$9 billion in benefits-related assets as the Chief Investment Officer of Deseret Mutual Benefit Administrators (DMBA). Kent has an MBA in Business Administration and operates Verapath Global Investing LLC.

## **DAVID R. NIXON** – *Board of Trustees*

David worked at Coopers & Lybrand and as Assistant Treasurer and Director of Global Investments at EDS, responsible for assets totaling \$15 billion. David has an accounting MBA. His extensive international experience includes work in both developed and emerging markets and living in Colombia, Belgium, and England.

## **JOHN LUNT, CFA** - *Board of Trustees*

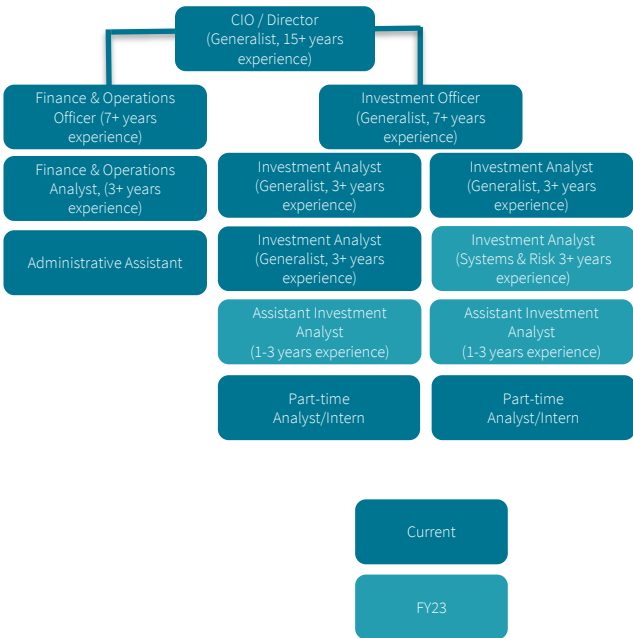
John serves on the investment committee for the \$8 billion Utah Educational Savings Plan (UESP) and was board president of Utah Retirement Systems (URS), a \$20 billion pension fund. He has an MBA in Finance and International Business and is the Founder and President of Lunt Capital Management, Inc.

## **JASON GULL** - *Board of Trustees*

Jason worked as head of secondary investments at Adams Street Partners with \$30 billion of assets under management. He serves as a member of the BYU Cougar Capital Advisory Board and the BYU Marriott School National Advisory Board. Jason has an MBA from Yale.

# STAFF

- Currently, staff consists of 11 persons, 8 full-time and 3 part-time professionals:
  - Director, Chief Investment Officer (1)
  - Investment Officer (1)
  - Finance and Operations Officer (1)
  - Investment Analyst (3)
  - Finance and Operations Analyst (1)
  - Assistant Investment Analyst (0)
  - Administrative Analyst (1)
  - Part-time/interns (3)
- Hiring for two additional professionals over the next year



# STAFF

## **PETER MADSEN** – *Executive Director, Chief Investment Officer*

Peter was brought on by SITFO in 2015 and has been critical in establishing the direction of the organization. Working in the investment management industry since 1999, his most recent experience includes Managing Director of Cube Capital, an investment group in London. His career includes a range of experience in global investing for large institutional clients such as pension funds and endowments, as well as permanent school fund experience from another state. Peter holds a Bachelor of Arts degree from the University of Utah in International Political Economy and Russian. He also holds an MBA focused in International Finance from the Middlebury Institute of International Studies.

## **SCOTT DAY** – *Investment Officer*

Scott joined SITFO in 2020 to support asset allocation decisions, provide capital market and portfolio research, and perform manager due diligence. With over 25 years investment experience, his most recent experience includes serving as Managing Director at Goldman Sachs and Verus Investments where he was the OCIO for a \$15 billion pension fund. Over the course of his career, he has led capital market investment strategy, developed and implemented asset allocation and capital market assumption studies, led public and private market manager due diligence, and internally managed \$25 billion in global fixed income assets for Microsoft and \$8 billion for the Employees Retirement System of Texas. Scott holds a Bachelor of Science in Accounting from George Mason University and received the Chartered Financial Analyst (CFA) designation in 2001.

## **RYAN KULIG** – *Finance and Operations Officer*

Ryan joined SITFO in 2016 to manage office operations, portfolio administration, and investment analysis. Before joining SITFO, he worked for Sax Angle Partners, specializing in fundamental and technical analysis of equity investment opportunities. Prior to that, he performed financial analysis of federal grant activity at MRK Advisors. Ryan holds a Bachelor of Business Administration in Global Business with an Emphasis in Finance and a Minor in Economics from the University of Portland and an MBA from the University of Southern California.

## **JOHNNY LODDER** – *Investment Analyst*

Johnny joined SITFO in 2019 to support in the evaluation, due diligence and ongoing monitoring of investments. He previously performed manager research across a variety of alternative investment strategies for Aksia, an international alternatives consultant. Prior to that, Johnny spent time with Sorenson Impact where he collaborated with venture funds and foundations to identify and fund socially impactful businesses. Johnny earned a Bachelor of Science in Finance from the University of Utah.

## STAFF (CONT.)

### **HAYDEN BERGESON** – *Assistant Investment Analyst*

Hayden joined STIFO in 2021 to assist in establishing risk and reporting frameworks in support of the ongoing evaluation, due diligence, and monitoring of investments. He was previously an Intern for SITFO from 2020-2021 where he supported the team in a variety of functions. Hayden earned a Bachelor of Science in Financial Economics from Brigham Young University Idaho and a MSF from the University of Utah.

### **SAM RAGAN** – *Investment Analyst*

Sam joined the investment team at SITFO in 2022 and is responsible for the evaluation, due diligence, and ongoing monitoring of investments. He was previously a Research Analyst performing manager due diligence and supporting product management at Touchstone Investments, a mutual fund platform focused on high active share investment strategies. Earlier in his career, Sam performed manager research at FEG Investment Advisors, an institutional investment consulting firm, and securities analysis at Meyer Capital Management, an RIA focused on HNWI individuals. Sam earned a Bachelor of Science in Business from Miami University with a major in Finance and minors in Economics and Decision Sciences and is a CFA Charterholder.

### **TATIANA MAKRANSKY** – *Finance and Operations Analyst*

Tatiana joined SITFO in 2021 to assist in portfolio finance and operations. She previously worked in finance operations at Goldman Sachs in support of client on-boarding, KYC (know your customer), and anti-money laundering initiatives. Prior to that, Tatiana worked in non-profit fundraising for the University of Utah and People Helping People. Tatiana holds a Bachelor of Arts in Political Science and a Minor in Public Policy from Georgia State University.

### **SYMONE CALDWELL** – *Assistant Administrative Analyst*

Symone joined SITFO in 2021 to support all facets of the non-investment agency affairs. She previously worked at Verizon Wireless as a Global Enterprise Advisor, where she managed a portfolio of business and government multimillion dollar accounts. Prior to that, she began her professional career at Utah State University, where she worked as a Teaching Fellow for the Department of Anthropology, Recruitment Fellow for the Center of Women and Gender and a Diversity Coordinator at the Museum of Anthropology. Symone holds a Bachelor of Science in Anthropology, a Minor in Women and Gender Studies and a Museum Certificate.

# RESOURCES

## **INVESTMENT & RISK CONSULTANTS** - *RVK and Albourne*

RVK and Albourne were hired in 2020 to assist with all aspects of SITFO's activities. RVK is a generalist consultant providing support and services in areas ranging from governance, asset allocation, and manager research. Albourne is a specialist consultant providing support in areas such as strategy research and manager selection in alternative asset classes. Each firm is a top-rated consultant with global resources and capabilities.

## **INDEPENDENT RESEARCH AND DATA** - *Bloomberg, eVestment, BCA, Preqin, Top Down, Burgiss*

These partners and advisors facilitate the provision of raw data as well as its objective interpretation.

## **FUND MANAGERS** - *Strategy Specific Investment Advisory Relationships*

The buying and selling of individual securities is carried out by best in class, specialized, investment managers. These investment managers are highly scrutinized before and after selection.

## **CUSTODIAN BANK** - *Northern Trust*

Northern Trust is one of the largest global custodian banks. They were hired in 2016 to institutionalize custody of assets and to provide an independent accounting of the trusts.

## **RISK MANAGEMENT** - *MPI, Bloomberg, and internal tools*

SITFO avails itself of software services such as MPI and Bloomberg to provide quantitative risk management analysis. In addition, SITFO utilizes its independent consultants' tools and staff to provide performance analysis and contribute to risk reporting.

# INTRODUCTION

Asset Classes	Target %	Interim %
Growth	43.5	43.5
Global Equity	10.0	6.5
US Equity	10.5	13.0
US Large Cap	8.0	8.0
US Small Cap	2.5	5.0
International Equity	10.0	15.5
International Developed Equi	5.5	7.5
Emerging Markets Equity	4.5	8.0
Private Equity	13.0	8.5
Real Assets	17.5	17.5
Public Real Assets	5.0	9.5
Private Real Estate	5.0	4.5
Private Real Assets	7.5	3.5
Income	27.0	27.0
Credit	5.0	6.0
Securitized	5.0	6.5
Insurance Linked Securities	3.5	3.5
Non-US	3.5	4.0
Private Debt	10.0	7.0
Defensive	12.0	12.0
TIPS	2.5	2.5
Long US Treasury	2.5	2.5
CTA	7.0	7.0
Cash	0.0	0.0

